

BEFORE THE  
DELAWARE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

GARY S. PRETTMAN  
SR. DIRECTOR REGULATORY BUSINESS  
SUEZ

February 2016

SUEZ WATER DELAWARE INC.  
DIRECT TESTIMONY OF GARY S. PRETTYMAN

**BACKGROUND**

**Q. Please state your name, occupation and business address.**

A. My name is Gary S. Prettyman and I am Senior Director Regulatory Business at SUEZ Water Management & Services Inc. ("M&S"), and I am authorized to testify on behalf of SUEZ Water Delaware Inc. ("SWDE" or the "Company") in this case. My business address is SUEZ Water Management & Services, 461 From Road, Suite 400, Paramus, NJ 07652.

**Q. Please summarize your educational background and professional experience.**

A. I have over thirty-seven year's experience in water and wastewater utility management and regulatory practice including all aspects of rate increase applications. I have testified before regulatory commissions on accounting issues, tariff design, and company policy in numerous proceedings. Since 2012, I have been employed by SUEZ Water to provide assistance and supervision in the preparation and filing of various types of regulatory applications, including base rate proceedings. The details of my professional experience and educational background are shown in Appendix A supplementing this testimony.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to support the request of SWDE for an increase in its base rates for water service. Specifically, I am supporting the

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1           Company's position regarding SUEZ Water Management and Services fees  
2           and the new methodology being utilized to allocate those fees.

3  
4           **Q. Have you prepared an exhibit which supports the Company's request?**

5           A. Yes, I have.  
6

7           **Q. Please explain how the M&S fees were previously charged to SWDE.**

8           A. The basis of M&S charged to SWDE is a contract between the two companies  
9           dated 1974. This contract was adopted in 1995 when General Water Works  
10          merged with United Water. These contracts are attached to M.F.R. 5.3.14.

11                 M&S provides certain services including administration, communication,  
12          customer service, finance, human resources, information systems, legal,  
13          procurement, technical services and other general services necessary in the  
14          proper conduct of business.

15                 Based upon the contract, labor charges are either charged directly to a  
16          project or company or allocated based upon certain formulas. The formulas  
17          have a multitude of combinations which makes it very difficult to analyze.  
18

19           **Q. Is M&S proposing a change in the methodology it charges time and**  
20           **allocations to the operating companies and other subsidiaries?**

21           A. Yes.  
22

23           **Q. Please explain.**

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1       A. The goal was to make allocations simpler and more transparent. The new  
2       formula will be based upon a three factor formula based upon revenues, assets  
3       and customers. All employees time will be based upon this formula and  
4       therefore allocated appropriately. The exception to this would be engineers and  
5       IT personnel who typically work specifically on a certain project.

6               The first allocation reflects each departments function. For example if a  
7       department works solely for regulated companies like SWDE, then 100% of that  
8       departments time and expenses would go to the regulated segment. The  
9       opposite is also true, if a department works 100% for non-regulated business  
10      then 100% of that departments time and expenses would be charged 100% to  
11      the non-regulated segment. All other departments that work for the benefit of all  
12      businesses would be allocated according to the three factor formula.

13  
14      **Q. Will reporting be improved in order to explain charges to the operating**  
15      **companies?**

16      A. Yes, currently because of the complexities it is extremely difficult to provide  
17      exact details of expenses. New reports are anticipated to be developed in order  
18      to provide the necessary details.

19  
20      **Q. Are there any other changes in addition to labor charges?**

21      A. Yes. Previously there were many expenses that were paid by M&S and either  
22      allocated or charged directly based upon certain formulas. These expenses  
23      include general liability and property insurance, outside IT support, audit fees

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1 and actuarial fees. These are called corporate assumptions and were previously  
2 not included in M&S fees. With the new allocations, these expenses will be  
3 included in M&S fees.

4           Additionally, capital expenditures, generally related to IT issues such as  
5 the PeopleSoft accounting software upgrade and Powerplan asset management  
6 software, for example, previously would have been allocated to each operating  
7 company and reflected on that company's balance sheet. As such, it would  
8 have increased the operating company's rate base and recovered in rates  
9 through depreciation expense and rate of return. With the new methodology, the  
10 asset will be maintained on M&S balance sheet and allocated to the operating  
11 companies and recovered through depreciation and return. As a result the  
12 revenue requirement is the same for these assets under the new method or the  
13 old method.

14  
15 **Q. Have you reflected the new methodology in the current rate case?**

16 A. Yes, attached is Exhibit GSP-1 which compares the Test Year amounts to the  
17 new Test Period charges. A summary of the costs are as follows:

	Test Year	Test Period	Savings
Corporate assumptions	\$554,027		
M&S Fees	\$1,792,440		
Total	\$2,346,467	\$2,110,385	(\$236,082)
2016 salary increase		45,130	
Shared assets		<u>217,128</u>	

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1	Total	\$2,372,653
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2

**3 Q. Is the Company planning to file the new contract with the Commission?**

4           A. Yes, however the plan is to file the contract separately from the current rate  
5           case proceeding.

6

7 Q. Does this conclude your testimony at this time?

8 A. Yes it does.

APPENDIX A

PROFESSIONAL QUALIFICATIONS  
OF  
GARY S. PRETTYMAN  
UNITED WATER

## **GARY S. PRETTYMAN**

Has over thirty-seven years' experience in water and wastewater utility management and regulatory practices. This includes preparation of all aspects of rate increase application, review of testimony of all witnesses participating in the case, interface with regulatory commission staff and Public Advocate, budgeting, acquisition analysis, bill analysis, legislative review, and compliance with regulatory requirements. Has testified on accounting issues, tariff design, and company policy in numerous regulatory proceedings.

### **PROFESSIONAL EXPERIENCE**

#### **2012 to present**

United Water, Paramus, New Jersey. Senior Director Regulatory Business. Responsible for preparation of rate increase application for the subsidiary companies and filing with state regulatory commissions. This includes 16 water and wastewater companies in 6 states. Also involved in other company issues including management planning, accounting, special tariff contracts, various petitions filed with Commissions and acquisitions.

#### **2008 to July 2011**

AUS Consultants, Mt. Laurel, New Jersey. Principal and Vice President. Has offered testimony as an expert witness on the subjects of revenue requirements, bill analysis, proof of revenues and tariff design, rate base, accounting, and lead/lag studies. Has also prepared original cost studies and acquisition analysis.

#### **2004 to 2008**

Prettyman Consulting, Mt Laurel, New Jersey. President and principal consultant providing rate case and other regulatory services to clients.

#### **2001 to 2004**

Elizabethtown Water Company, Westfield, New Jersey. Vice President – Rates and Regulation of Elizabethtown Water Company. Was responsible for all regulatory matters for the subsidiary companies. This includes preparation and filing of rate increase applications with the state regulatory commission, other matters filed with the commission and was liaison with regulatory organizations.

#### **1996 to 2001**

AUS Consultants, Mt. Laurel, New Jersey. Vice President responsible primarily for water and wastewater regulatory matters pertaining to rate cases. This includes: preparing all accounting exhibits and supporting testimony, preparing the petition for filing, conducting and/or assisting in settlement negotiations, bill analysis, proof of revenues and tariff design, lead/lag studies and various regulatory and financial matters.

#### **1979 to 1996**

American Water Works Company, Inc./New Jersey-American Water Company. Was employed as Director of Rates and Revenue responsible for the preparation of rate increase applications for the subsidiary water companies. Responsible for development of the company's budget function, participated in acquisition of water and/or sewer companies and prepared special projects as required. Was also Assistant Treasurer of subsidiary companies for six years.

Assistant Director of Rates and Revenue. In addition to preparing financial and economic aspects of the rate increase applications, assisted Director in the management, supervision, development, and daily operations of the department and related staff.

Business Manager for local operating office responsible for the supervision and management of all daily business-related operations of the company.



Revenue Requirement Specialist for American Water Works Service Company. Prepared and supported in testimony financial and economic aspects of the rate increase applications for operating water companies in several states.

Rate Analyst I and II. Prepared financial and economic aspects of rate increase applications for the appropriate witness in the case.

#### 1977 to 1979

Computer Sciences Corporation. Was employed as a Staff Accountant in the Defense System Division. Developed and implemented controls for the division property system and conducted capital budget analysis, property system reconciliation, depreciation schedule, and participated in special projects.

#### TESTIMONY

I presented testimony to and have been cross-examined before the following regulatory authorities:

Connecticut Department of Public Utility Control  
Delaware Public Service Commission  
Florida Public Service Commission  
Indiana Utility Regulatory Commission  
New Jersey Board of Public Utilities  
New York Public Service Commission  
North Carolina Utilities Commission (submitted only)  
Pennsylvania Public Utility Commission (Submitted only)  
State of Rhode Island and Providence Plantations Public Utilities  
Commission  
State Corporation Commission of Virginia  
Public Service Commission of West Virginia (submitted only)

#### LIST OF CLIENTS SERVED

Adelphia Sewer Company  
Adelphia Water Company  
American Anglian  
Andover Utility Company  
Applied Wastewater Management, Inc.  
Aqua Utilities Florida  
Aqua New Jersey  
Aqua North Carolina  
Bridgeport Hydraulic Company  
Connecticut Natural Gas Company  
Consumers New Jersey Water Company  
Delaware Assoc. of Alternative Energy  
Providers  
Elizabethtown Water Company  
Equitable Gas Company  
Gulf & Southern Resources, LLC  
Borough of Hamburg  
Kansas City Power and Light  
KH Beacon Hill Sewer, Inc.  
Long Neck Water Company  
Mount Holly Water Company  
Mountaineer Gas Company  
New Jersey-American Water Company

Papetti Hygrade (Michael Foods, Inc)  
Public Water Supply Company  
Rolling Hills Sewer Company  
Borough of South River  
Sussex Shores Water Company  
Thames Water Holdings, Inc.  
Trenton Water Works  
Tidewater Utilities, Inc.  
United Water Arlington Hills Sewerage Co.  
United Water Delaware  
United Water Great George  
United Water Indiana  
United Water Mid-Atlantic Utilities  
United Water New Jersey  
United Water New Rochelle  
United Water Owego  
United Water Pennsylvania  
United Water Princeton Meadows  
United Water Rhode Island  
United Water Toms River  
United Water Virginia  
United Water West Chester  
United Water West Milford  
Wildwood Water Utility

While employed with American Water Works Company, I participated in over 75 rate proceedings in New Jersey, New York and Connecticut.

## PERSONAL

### Education:

1976 - Rowan University - B.A. Business Administration/Accounting

### Professional Affiliations:

National Association of Water Companies –  
Associate Member National Regulatory Committee  
Current Secretary New Jersey Chapter  
Past Chairman New Jersey Chapter  
Past Chairman Scholarship Committee New Jersey Chapter  
Past Member of Regulatory Committee New Jersey Chapter  
Past Member National  
Past Member of Small Water Companies Committee – National  
New Jersey Utilities Association - Past Chairman Rates and Regulation Committee  
Current Member Rates and Regulation Committee

SUEZ Water Management and Services  
Corporate Assumptions rolled into Shared Services

Exhibit GSP-1

			Delaware Test Year 10/01/2014 - 09/30/2015	New M&S Allocation Methodology Pro Forma 2016	
	SubAccount	Description	Actuals		
CCB IT Support	50405	CC&B support costs - Not including CCB Printing Costs	\$47,788	0	
Other IT Corporate Assumptions	91250	Outside Services - IS (includes IT_HRIS from 91350 \$5,659)	171,798	0	
	91350	Outside service - other			
R+I Alliance	91310	Outside Serv - Mgt Fees Other	48,920	0	
Audit Fees	91100	Outside service - acctg & audg	32,347	0	
WorkCare	91350	Outside service - other	1,614	0	
In Subcontractors Costs			302,466	0	
General Casualty	91450	General corporate insurance	184,081	0	
Property	91400	Property insurance	14,252	0	
WIKTI	92150	Staff mtgs, conf's & seminars	5,023	0	
AWWARF	90500	Club and professional dues	11,308	0	
Training & Recruiting	92150	Staff mtgs, conf's & seminars	14,003	0	
Actuarial Services	91350	Outside service - other	19,909	0	
Vanguard Admin Fees			0	0	
PureSafety	92150	Staff mtgs, conf's & seminars	2,984	0	
In Other Costs			251,560	0	
Total corporate allocations			554,027	0	
M&S expenses	90850		1,399,200		
	90851		393,240		
	90852		0		
			1,792,440		
Total M&S and Corporate assumptions			\$2,346,467	\$2,110,385	
			2016 salary increase	45,140	
			Shared assets	217,128	
			Total	2,372,653	
					Decrease Compared to Test Year (\$236,082)